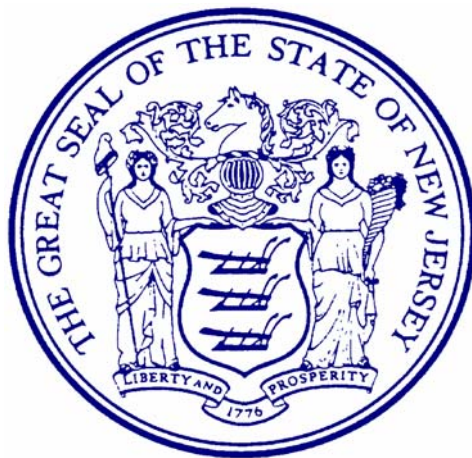


**RESORTS INTERNATIONAL HOTEL, INC.  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED March 31, 2006**

**SUBMITTED TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION  
REPORTING MANUAL**

# RESORTS INTERNATIONAL HOTEL, INC.

## BALANCE SHEETS

AS OF March 31, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)  | Notes | 2006<br>(c) | 2005<br>(d) |
|-------------|---|-------|-------------|-------------|
|             | <u>ASSETS:</u>  |       |             |             |
|             | Current Assets:   |       |             |             |
| 1           | Cash and Cash Equivalents.....  |       | \$15,169    | \$24,943    |
| 2           | Short-Term Investments.....   |       | 175         | 72          |
| 3           | Receivables and Patrons' Checks (Net of Allowance for<br>Doubtful Accounts - 2006, \$1,428; 2005, \$1,263 | 2     | 6,972       | 6,301       |
| 4           | Inventories .....   |       | 2,845       | 2,259       |
| 5           | Other Current Assets.....   | 3     | 1,828       | 10,048      |
| 6           | Total Current Assets.....   |       | 26,989      | 43,623      |
| 7           | Investments, Advances, and Receivables.....   | 4     | 11,715      | 10,967      |
| 8           | Property and Equipment - Gross.....   |       | 316,165     | 299,714     |
| 9           | Less: Accumulated Depreciation and Amortization.....  |       | (57,862)    | (40,028)    |
| 10          | Property and Equipment - Net.....   |       | 258,303     | 259,686     |
| 11          | Other Assets.....   |       | 6,005       | 6,159       |
| 12          | Total Assets.....   |       | \$303,012   | \$320,435   |
|             | <u>LIABILITIES AND EQUITY:</u>  |       |             |             |
|             | Current Liabilities:  |       |             |             |
| 13          | Accounts Payable.....   |       | \$12,221    | \$12,914    |
| 14          | Notes Payable.....  |       | 0           | 0           |
|             | Current Portion of Long-Term Debt:  |       |             |             |
| 15          | Due to Affiliates.....  |       | 0           | 0           |
| 16          | External.....   |       | 6,838       | 3,566       |
| 17          | Income Taxes Payable and Accrued.....   |       | 0           | 0           |
| 18          | Other Accrued Expenses.....   | 5     | 20,011      | 15,937      |
| 19          | Other Current Liabilities.....  | 6     | 6,508       | 3,595       |
| 20          | Total Current Liabilities.....  |       | 45,578      | 36,012      |
|             | Long-Term Debt:   |       |             |             |
| 21          | Due to Affiliates.....  | 7     | 177,820     | 177,237     |
| 22          | External.....   | 7     | 15,120      | 21,857      |
| 23          | Deferred Credits .....  |       | 0           | 6,357       |
| 24          | Other Liabilities.....  |       | 0           | 0           |
| 25          | Commitments and Contingencies.....  |       | 0           | 0           |
| 26          | Total Liabilities.....  |       | 238,518     | 241,463     |
| 27          | Stockholders', Partners', or Proprietor's Equity.....   |       | 64,494      | 78,972      |
| 28          | Total Liabilities and Equity.....   |       | \$303,012   | \$320,435   |

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED March 31, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)                                      | Notes | 2006<br>(c) | 2005<br>(d) |
|-------------|---|-------|-------------|-------------|
|             | Revenue:  |       |             |             |
| 1           | Casino.....   |       | \$64,441    | \$61,257    |
| 2           | Rooms.....  |       | 5,160       | 4,558       |
| 3           | Food and Beverage.....                                  |       | 7,333       | 4,870       |
| 4           | Other.....  |       | 1,489       | 1,357       |
| 5           | Total Revenue.....                                      |       | 78,423      | 72,042      |
| 6           | Less: Promotional Allowances.....                       |       | 20,145      | 15,675      |
| 7           | Net Revenue.....  |       | 58,278      | 56,367      |
|             | Costs and Expenses:                                     |       |             |             |
| 8           | Cost of Goods and Services.....                         |       | 42,817      | 39,973      |
| 9           | Selling, General, and Administrative.....               |       | 10,678      | 10,311      |
| 10          | Provision for Doubtful Accounts.....                    |       | 95          | 44          |
| 11          | Total Costs and Expenses.....                           |       | 53,590      | 50,328      |
| 12          | Gross Operating Profit.....                             |       | 4,688       | 6,039       |
| 13          | Depreciation and Amortization.....                      |       | 4,849       | 4,822       |
|             | Charges from Affiliates Other than Interest:            |       |             |             |
| 14          | Management Fees.....                                    |       | 0           | 0           |
| 15          | Other.....  |       | 0           | 0           |
| 16          | Income (Loss) from Operations.....                      |       | (161)       | 1,217       |
|             | Other Income (Expenses):                                |       |             |             |
| 17          | Interest Expense - Affiliates.....                      |       | (5,891)     | (5,310)     |
| 18          | Interest Expense - External.....                        |       | (322)       | (294)       |
| 19          | CRDA Related Income (Expense) - Net.....                |       | (209)       | (178)       |
| 20          | Nonoperating Income (Expense) - Net.....                |       | (622)       | 159         |
| 21          | Total Other Income (Expenses).....                      |       | (7,044)     | (5,623)     |
| 22          | Income (Loss) Before Taxes and Extraordinary Items..... |       | (7,205)     | (4,406)     |
| 23          | Provision (Credit) for Income Taxes.....                |       | 88          | (1,237)     |
| 24          | Income (Loss) Before Extraordinary Items.....           |       | (7,293)     | (3,169)     |
|             | Extraordinary Items (Net of Income Taxes -              |       |             |             |
| 25          | 2006, \$0; 2005, \$0 ).....                             |       |             | 0           |
| 26          | Net Income (Loss).....                                  |       | (\$7,293)   | (\$3,169)   |

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND THE THREE MONTHS ENDED MARCH 31, 2006

(UNAUDITED)  
(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)                   | Notes | Common Stock  |               | Preferred Stock |               | Additional<br>Paid-In<br>Capital<br>(g) |     | Retained<br>Earnings<br>(Accumulated<br>Deficit)<br>(i) | Total<br>Stockholders'<br>Equity<br>(Deficit)<br>(j) |
|-------------|--------------------------------------|-------|---------------|---------------|-----------------|---------------|---|-----|---|--|
|             |                                      |       | Shares<br>(c) | Amount<br>(d) | Shares<br>(e)   | Amount<br>(f) |   |     |   |  |
| 1           | Balance, December 31, 2004.....      |       | 100           | \$0           |                 |               | \$77,673                                |     | \$4,468   | \$82,141   |
| 2           | Net Income (Loss) - 2005.....        |       |               |               |                 |               |   |     | (10,354)  | (10,354)   |
| 3           | Contribution to Paid-in-Capital..... |       |               |               |                 |               |   |     |   | 0  |
| 4           | Dividends.....                       |       |               |               |                 |               |   |     |   | 0  |
| 5           | Prior Period Adjustments.....        |       |               |               |                 |               |   |     |   | 0  |
| 6           |                                      |       |               |               |                 |               |   |     |   | 0  |
| 7           |                                      |       |               |               |                 |               |   |     |   | 0  |
| 8           |                                      |       |               |               |                 |               |   |     |   | 0  |
| 9           |                                      |       |               |               |                 |               |   |     |   | 0  |
| 10          | Balance, December 31, 2005.....      |       | 100           | 0             | 0               | 0             | 77,673                                  | 0   | (5,886)   | 71,787   |
| 11          | Net Income (Loss) - 2006.....        |       |               |               |                 |               |   |     | (7,293)   | (7,293)  |
| 12          | Contribution to Paid-in-Capital..... |       |               |               |                 |               |   |     |   | 0  |
| 13          | Dividends.....                       |       |               |               |                 |               |   |     |   | 0  |
| 14          | Prior Period Adjustments.....        |       |               |               |                 |               |   |     |   | 0  |
| 15          |                                      |       |               |               |                 |               |   |     |   | 0  |
| 16          |                                      |       |               |               |                 |               |   |     |   | 0  |
| 17          |                                      |       |               |               |                 |               |   |     |   | 0  |
| 18          |                                      |       |               |               |                 |               |   |     |   | 0  |
| 19          | Balance, MARCH 31, 2006 .....        |       | 100           | \$0           | 0               | \$0           | \$77,673                                | \$0 | (\$13,179)  | \$64,494   |

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED March 31, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)   | Notes | 2006<br>(c) | 2005<br>(d) |
|-------------|--|-------|-------------|-------------|
|             | <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                 |       |             |             |
| 29          | Net Income (Loss).....                                       |       | (\$7,293)   | (\$3,169)   |
| 30          | Depreciation and Amortization of Property and Equipment..... |       | 4,599       | 4,019       |
| 31          | Amortization of Other Assets.....                            |       | 250         | 803         |
| 32          | Amortization of Debt Discount or Premium.....                |       | 84          | 134         |
| 33          | Deferred Income Taxes - Current .....                        |       | 0           | 0           |
| 34          | Deferred Income Taxes - Noncurrent .....                     |       | 0           | (226)       |
| 35          | (Gain) Loss on Disposition of Property and Equipment.....    |       | 0           | (21)        |
| 36          | (Gain) Loss on CRDA-Related Obligations.....                 |       | 206         | 178         |
| 37          | (Gain) Loss from Other Investment Activities.....            |       | 0           | 0           |
| 38          | (Increase) Decrease in Receivables and Patrons' Checks ..... |       | (365)       | (1,725)     |
| 39          | (Increase) Decrease in Inventories .....                     |       | (378)       | 73          |
| 40          | (Increase) Decrease in Other Current Assets.....             |       | 1,036       | (717)       |
| 41          | (Increase) Decrease in Other Assets.....                     |       | 602         | 430         |
| 42          | Increase (Decrease) in Accounts Payable.....                 |       | 902         | 1,957       |
| 43          | Increase (Decrease) in Other Current Liabilities .....       |       | (5,188)     | (4,858)     |
| 44          | Increase (Decrease) in Other Liabilities .....               |       | 0           | 0           |
| 45          | .....  |       | 0           | 0           |
| 46          | .....  |       |             |             |
| 47          | Net Cash Provided (Used) By Operating Activities.....        |       | (\$5,545)   | (\$3,122)   |

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

|    |  |  |           |           |
|----|--|--|-----------|-----------|
|    | <b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>                  |  |           |           |
| 48 | Additions to Property and Equipment.....                       |  | (\$3,282) | (\$4,741) |
| 49 | Less: Capital Lease Obligations Incurred.....                  |  | 0         | 0         |
| 50 | Cash Outflows for Property and Equipment.....                  |  | (\$3,282) | (\$4,741) |
|    | <b>ACQUISITION OF BUSINESS ENTITIES:</b>                       |  |           |           |
| 51 | Property and Equipment Acquired.....                           |  |           |           |
| 52 | Goodwill Acquired.....   |  |           |           |
| 53 | Other Assets Acquired - net .....                              |  |           |           |
| 54 | Long-Term Debt Assumed.....                                    |  |           |           |
| 55 | Issuance of Stock or Capital Invested.....                     |  |           |           |
| 56 | Cash Outflows to Acquire Business Entities.....                |  | \$0       | \$0       |
|    | <b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>                  |  |           |           |
| 57 | Total Issuances of Stock or Capital Contributions.....         |  | \$0       | \$0       |
| 58 | Less: Issuances to Settle Long-Term Debt.....                  |  | 0         | 0         |
| 59 | Consideration in Acquisition of Business Entities.....         |  | 0         | 0         |
| 60 | Cash Proceeds from Issuing Stock or Capital Contributions..... |  | \$0       | \$0       |

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED March 31, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)   | Notes | 2006<br>(c) | 2005<br>(d) |
|-------------|--|-------|-------------|-------------|
| 1           | CASH PROVIDED (USED) BY OPERATING ACTIVITIES..               |       | (\$5,545)   | (\$3,122)   |
|             | CASH FLOWS FROM INVESTING ACTIVITIES:                        |       |             |             |
| 2           | Purchase of Short-Term Investments .....                     |       |             | 0           |
| 3           | Proceeds from the Sale of Short-Term Investments .....       |       |             | 0           |
| 4           | Cash Outflows for Property and Equipment.....                |       | (3,282)     | (4,741)     |
| 5           | Proceeds from Disposition of Property and Equipment.....     |       | 1           | 21          |
| 6           | CRDA Obligations .....                                       |       | (809)       | (702)       |
| 7           | Other Investments, Loans and Advances made.....              |       |             | 0           |
| 8           | Proceeds from Other Investments, Loans, and Advances .....   |       |             | 0           |
| 9           | Cash Outflows to Acquire Business Entities.....              |       | 0           | 0           |
| 10          | CRDA Reimbursement .....                                     |       | 8           | 0           |
| 11          |  |       |             |             |
| 12          | Net Cash Provided (Used) By Investing Activities.....        |       | (4,082)     | (5,422)     |
|             | CASH FLOWS FROM FINANCING ACTIVITIES:                        |       |             |             |
| 13          | Proceeds from Short-Term Debt .....                          |       | 1,100       | 0           |
| 14          | Payments to Settle Short-Term Debt.....                      |       |             | (2,354)     |
| 15          | Proceeds from Long-Term Debt .....                           |       |             | 4,000       |
| 16          | Costs of Issuing Debt.....                                   |       |             | (46)        |
| 17          | Payments to Settle Long-Term Debt.....                       |       | (1,460)     | 0           |
| 18          | Cash Proceeds from Issuing Stock or Capital Contributions... |       | 0           | 0           |
| 19          | Purchases of Treasury Stock.....                             |       |             | 0           |
| 20          | Payments of Dividends or Capital Withdrawals.....            |       |             | 0           |
| 21          |  |       |             | 0           |
| 22          |  |       |             |             |
| 23          | Net Cash Provided (Used) By Financing Activities.....        |       | (360)       | 1,600       |
| 24          | Net Increase (Decrease) in Cash and Cash Equivalents.....    |       | (9,987)     | (6,944)     |
| 25          | Cash and Cash Equivalents at Beginning of Period.....        |       | 25,331      | 31,959      |
| 26          | Cash and Cash Equivalents at End of Period.....              |       | \$15,344    | \$25,015    |
|             | CASH PAID DURING PERIOD FOR:                                 |       |             |             |
| 27          | Interest (Net of Amount Capitalized).....                    |       | \$10,824    | \$10,632    |
| 28          | Income Taxes.....  |       | \$88        | \$88        |

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED March 31, 2006

(UNAUDITED)  
(\$ IN THOUSANDS)

| Line<br>(a) | Description<br>(b)         | Promotional Allowances         |                         | Promotional Expenses           |                         |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
|             |                            | Number of<br>Recipients<br>(c) | Dollar<br>Amount<br>(d) | Number of<br>Recipients<br>(e) | Dollar<br>Amount<br>(f) |
| 1           | Rooms                      | 44,442                         | \$3,877                 | 180                            | \$30                    |
| 2           | Food                       | 255,208                        | 3,543                   | 23,532                         | 353                     |
| 3           | Beverage                   | 647,703                        | 1,980                   | 0                              | 0                       |
| 4           | Travel                     | 0                              | 0                       | 5,993                          | 514                     |
| 5           | Bus Program Cash           | 109,872                        | 1,608                   | 0                              | 0                       |
| 6           | Other Cash Complimentaries | 235,793                        | 8,716                   | 0                              | 0                       |
| 7           | Entertainment              | 8,102                          | 376                     | 1,082                          | 135                     |
| 8           | Retail & Non-Cash Gifts    | 1,203                          | 18                      | 15,958                         | 1,835                   |
| 9           | Parking                    | 0                              | 0                       | 0                              | 0                       |
| 10          | Other                      | 1,802                          | 27                      | 34,356                         | 756                     |
| 11          | Total                      | 1,304,125                      | \$20,145                | 81,101                         | \$3,623                 |

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FOR THE THREE MONTHS ENDED March 31, 2006

| Line<br>(a) | Description<br>(b)         | Promotional Allowances         |                         | Promotional Expenses           |                         |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
|             |                            | Number of<br>Recipients<br>(c) | Dollar<br>Amount<br>(d) | Number of<br>Recipients<br>(e) | Dollar<br>Amount<br>(f) |
| 1           | Rooms                      | 44,442                         | \$3,877                 | 180                            | \$30                    |
| 2           | Food                       | 255,208                        | 3,543                   | 23,532                         | 353                     |
| 3           | Beverage                   | 647,703                        | 1,980                   | 0                              | 0                       |
| 4           | Travel                     | 0                              | 0                       | 5,993                          | 514                     |
| 5           | Bus Program Cash           | 109,872                        | 1,608                   | 0                              | 0                       |
| 6           | Other Cash Complimentaries | 235,793                        | 8,716                   | 0                              | 0                       |
| 7           | Entertainment              | 8,102                          | 376                     | 1,082                          | 135                     |
| 8           | Retail & Non-Cash Gifts    | 1,203                          | 18                      | 15,958                         | 1,835                   |
| 9           | Parking                    | 0                              | 0                       | 0                              | 0                       |
| 10          | Other                      | 1,802                          | 27                      | 34,356                         | 756                     |
| 11          | Total                      | 1,304,125                      | \$20,145                | 81,101                         | \$3,623                 |

**RESORTS INTERNATIONAL HOTEL, INC.  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED March 31, 2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

5/15/2006

Date



Francis X. McCarthy, Jr.

Executive Vice President -Finance/CFO  
Title

1015-11

License Number

On Behalf of:

RESORTS INTERNATIONAL HOTEL, INC.  
Casino Licensee



**RESORTS INTERNATIONAL HOTEL INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. Basis of Presentation**

Colony RIH Holdings, Inc., a Delaware corporation ("CRH"), owns 100% of the outstanding common stock of Resorts International Hotel and Casino, Inc., also a Delaware corporation ("RIHC"). CRH also owns 100% of the common stock of Resorts Real Estate Holdings, Inc. ("RREH"), a New Jersey corporation formed on April 1, 2003 to acquire certain land subject to an option agreement ("Option Agreement") between Kerzner International North America, Inc. ("KINA") and RIHC. RIHC, through its wholly-owned subsidiary, Resorts International Hotel, Inc., a New Jersey corporation ("RIH" or the "Company"), owns and operates Resorts Atlantic City, a casino/hotel located in Atlantic City, NJ.

On March 22, 2002, RIHC sold \$180.0 million aggregate principal amount of 11½% first mortgage notes (the "First Mortgage Notes") (see Note 7, "Long-Term Debt"). Concurrent with the sale of the First Mortgage Notes, CRH issued class A common stock and class B common stock to its existing shareholders for a total price of approximately \$35.0 million. The proceeds from the sale of the First Mortgage Notes and issuance of stock were used to retire existing debt and to finance the cost to develop, construct and equip a new hotel tower (the "Hotel Expansion Project"). As of September 30, 2004, the proceeds from the sale of the First Mortgage Notes deposited in the construction disbursement account to help finance new development have been depleted. Additionally, \$10.0 million of the proceeds from the issuance of stock were deposited in a liquidity disbursement account to be used for working capital in the event that RIH's Adjusted Consolidated EBITDA, as defined in the First Mortgage Notes Indenture, for any four fiscal quarters ending on or prior to December 31, 2004, is less than \$28 million. At the end of the measurement period referred to in the previous sentence, RIHC was permitted to secure a release of any unutilized amount in the liquidity disbursement account, which totaled approximately \$9.7 million. Funds related to the liquidity disbursement account have been earmarked for short term construction projects during 2005, and may be returned to Colony Capital, LLC in 2006.

At March 31, 2006, RIHC had a restricted cash balance of \$52,000, which is included in other assets on the accompanying balance sheet. The restricted cash consists of the unexpended portion of the proceeds of an asset sale, as required by the Indenture.

The accompanying financial statements have been prepared in accordance with the rules and regulations of the New Jersey Casino Control Commission (the "Commission") for Quarterly Reports. Accordingly, they do not include the information and footnotes required by generally accepted accounting principals for complete financial statements.

These accompanying financial statements are unaudited. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for fair presentation have been included. The casino industry is seasonal in nature; accordingly, operating results for the quarter ended March 31, 2006, are not necessarily indicative of the results that may be expected for the final close of the year ended December 31, 2006.

These financial statements should be read in conjunction with the financial statements and notes thereto included in RIH's Quarterly Report for the quarter ended December 31, 2005, as filed with the Commission.

**2. Receivables**

Components of receivables were as follows at March 31 (in thousands):

|   | 2006            | 2005            |
|---|-----------------|-----------------|
| Gaming .....                                | \$ 6,783        | \$ 6,005        |
| Less: allowance for doubtful accounts ..... | (1,402)         | (1,250)         |
|   | <u>5,381</u>    | <u>4,755</u>    |
| Non-gaming:                                 |                 |                 |
| Hotel and related .....                     | 555             | 447             |
| Other .....                                 | 1,062           | 1,112           |
|   | <u>1,619</u>    | <u>1,559</u>    |
| Less: allowance for doubtful accounts ..... | (26)            | (13)            |
|   | <u>1,591</u>    | <u>1,546</u>    |
| Receivables, net .....                      | <u>\$ 6,972</u> | <u>\$ 6,301</u> |

### 3. Prepaid Expenses and Other Current Assets

Components of prepaid expenses and other current assets were as follows at March 31 (in thousands):

|  | 2006           | 2005             |
|--|----------------|------------------|
| Current portion deferred income taxes..... | \$ 0           | \$ 4,804         |
| Income tax receivable.....                 | 38             | 2,566            |
| Other.....                                 | 1790           | 2,678            |
|  | <u>\$ 1828</u> | <u>\$ 10,048</u> |

### 4. Investments, Advances and Receivables

Components of investments, advances and receivables were as follows at March 31 (in thousands):

|  | 2006             | 2005             |
|--|------------------|------------------|
| CRDA bonds and direct investments..... | \$ 8,509         | \$ 12,299        |
| CRDA deposits.....                     | 9,353            | 7,431            |
| Valuation allowance.....               | (6,147)          | (8,763)          |
|  | <u>\$ 11,715</u> | <u>\$ 10,967</u> |

The New Jersey Casino Control Act, as amended, requires RIH to purchase bonds issued by the Casino Reinvestment Development Authority (the "CRDA") or make other investments authorized by the CRDA, in an amount equal to 1.25% of RIH's gross gaming revenue, as defined.

The CRDA bonds have interest rates ranging from 3.5% to 7.0% and have repayment terms of between 20 and 50 years. The Company records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The charge for the three months ended March 31, 2006 and 2005 for discounts on obligations were \$209,000 and \$178,000 respectively.

From time to time RIH has donated certain funds it has had on deposit with the CRDA in return for either relief from its obligation to purchase CRDA bonds or credits against future CRDA deposits. The majority of the Company's deposits have been pledged for specific projects.

### 5. Other Accrued Expenses

Components of other accrued expenses were as follows at March 31 (in thousands):

|                                      | 2006             | 2005             |
|--------------------------------------|------------------|------------------|
| Insurance and related costs.....     | \$ 2,967         | \$ 1,573         |
| Payroll and related liabilities..... | 7,671            | 8,769            |
| Gaming taxes and fees.....           | 736              | 2,709            |
| Other.....                           | 8,637            | 2,886            |
|                                      | <u>\$ 20,011</u> | <u>\$ 15,937</u> |

### 6. Other Current Liabilities

Components of other current liabilities were as follows at March 31 (in thousands):

|                       | 2006            | 2005            |
|-----------------------|-----------------|-----------------|
| Interest Payable..... | \$ 863          | \$ 876          |
| Other.....            | 5,645           | 2,719           |
|                       | <u>\$ 6,508</u> | <u>\$ 3,595</u> |

## 7. Long-Term Debt

### Due to Affiliates

On March 22, 2002, RIHC sold \$180.0 million aggregate principal amount of First Mortgage Notes at a price of 97.686% yielding \$175.8 million. Interest on the First Mortgage Notes is payable on March 15 and September 15 of each year, and the First Mortgage Notes are due in full on March 15, 2009. In conjunction with the issuance of the First Mortgage Notes, RIHC issued a note to RIH with terms that mirror those of the First Mortgage Notes.

The First Mortgage Notes contain certain covenants that, among other things, limit RIHC's ability and the ability of its subsidiaries to pay dividends on, redeem or repurchase its or their capital stock, make investments, incur additional indebtedness, permit payment of or restrict dividends by certain of its subsidiaries, enter into sale leaseback transactions, sell assets, guarantee indebtedness, create certain liens, engage in transactions with affiliates, and consolidate, merge or transfer all or substantially all its assets and the assets of its subsidiaries on a consolidated basis.

### Other

Other long-term debt is summarized as follows at March 31 (in thousands):

|                                | 2006             | 2005             |
|--------------------------------|------------------|------------------|
| Thermal Agreement .....        | \$ 5,902         | \$ 6,217         |
| CIT Facility.....              | 14,956           | 15,956           |
| Revolving Credit Facility..... | 1,100            | 3,000            |
| Other.....                     | 0                | 250              |
|                                | <u>21,958</u>    | <u>25,423</u>    |
| Less: current portion .....    | 6,838            | 3,566            |
|                                | <u>\$ 15,120</u> | <u>\$ 21,857</u> |

On June 16, 2002, RIH entered into a Thermal Energy Services Agreement (the "Thermal Agreement"). The initial term of the Thermal Agreement is 20 years, renewable at RIH's option for two additional five year terms. The Agreement has three components: a monthly charge for operation and maintenance of the thermal energy facilities; a capital lease component for capital improvements whose value was estimated at \$6.5 million on the date the Thermal Agreement was executed, and; a usage fee for steam and chilled water, whose usage and rate will vary by month of the year. The outstanding balance of the capital lease was \$5.9 million at March 31, 2006.

In June 2002, RIH entered into a Restated Loan and Security Agreement with CIT Group/Equipment Financing, Inc ("CIT Facility"). The CIT Facility permits RIH to borrow up to \$20 million for the purchase of machinery, furniture, or equipment. As amended the Loans pursuant to the CIT Facility are repayable in up to a sixty- month amortization period from the date the loan is made. The outstanding loans associated with the CIT Facility bear interest at the rate of LIBOR plus the applicable margin (as defined) which can range from 3.25% to 5.75% based upon operating results. As of March 31, 2006, the interest rate on the CIT Facility was 8.5% per annum. RIH is required to pay an annual fee equal to one-half percent of the unused portion of the CIT Facility. The CIT Facility contains a fixed charge coverage ratio and a senior leverage financial covenant as defined in the CIT Facility. On March 29, 2006, the CIT Facility was amended to modify the required covenant calculations at December 31, 2005 and on a prospective basis. Absent this amendment, the Company would not have been in compliance with the financial covenants. As a part of the amendment, the Company was required to pay \$1 million of the outstanding principal prior to March 31, 2006 and a fee of \$80,000. The outstanding balance due to CIT at March 31, 2006 was \$15.0 million. The Company was in compliance with the CIT Facility covenants at March 31, 2006.

In November 2002, RIH entered into a Loan and Security Agreement with Commerce Bank, N.A ("Commerce Facility"). The Commerce Facility provides for working capital borrowings and letters of credit up to \$10 million. The Commerce Facility expires on June 30, 2006. As of March 31, 2006, there were \$5.2 million of standby letters of credit issued against the Commerce Facility and borrowings having an aggregate outstanding balance of \$1.1 million, leaving an availability of \$3.7 million. The Company was not in compliance with the Commerce Facility covenants at March 31, 2006 and received a waiver from Commerce for its deficiency.

During 2004, RREH purchased from KINA 2.0 acres of land adjacent to the Resorts site. The land was acquired in exchange for the issuance of a \$40 million note by RREH to KINA. This \$40 million note will mature immediately following the maturity, acceleration or refinancing (other than permitted refinancing) of the First Mortgage Notes, which are due March 15, 2009. Interest on the \$40 million note is payable semi-annually and is calculated at the following annual rates: 0% through September 2005, 4% from October 2005 through March 2006, 6% from April 2006 through March 2008, and 9% from April 2008 through March 2009. The note payable to KINA is guaranteed by CRH, RIHC and RIH, provided, however, that the guarantee of RIHC and RIH does not become effective until either the First Mortgage Notes have been paid in full or the fixed

charge coverage ratio of RIHC is at least 2.0 to 1.0. In addition, the amount guaranteed is initially limited to \$20 million increasing by \$5 million each year. The KINA Note contains cross-default provisions whereby the acceleration of the scheduled maturity of the First Mortgage Notes constitutes an event of default under the KINA Note.

In the second quarter of 2004, RIH completed a like-kind exchange of its warehouse for a new warehouse facility. The transaction included the receipt of approximately \$1.2 million from the sale of the old warehouse, the proceeds of which were combined with a \$600,000 note (the "Warehouse Note") to purchase the new facility. The Warehouse Note has an interest rate of 6%, with fixed payments of principal and interest due in December 2004, February 2005 and February 2006. There was no outstanding balance of the Warehouse Note as of March 31, 2006.

## 8. Related Party Transactions

RIH recorded the following expenses from affiliates for the twelve months ended March 31 (in thousands):

|   | 2006            | 2005            |
|---|-----------------|-----------------|
| Interest and amortization of discounts on First Mortgage Notes..... | \$ 5,326        | \$ 5,310        |
| Interest expense on hedging instruments .....                       | -               | -               |
| Less: capitalized interest .....                                    | -               | -               |
|   | <u>\$ 5,326</u> | <u>\$ 5,310</u> |

## 9. Income Taxes

The benefit for income taxes for the three months ended March 31, 2006, is different than the amount computed at the United States statutory rate due to certain non-deductible items and state income taxes, which are calculated under an alternative minimum assessment of a percentage of gross revenues.

On June 30, 2003, the State of New Jersey amended the Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licenses in calendar year 2002, payable in the state's fiscal years 2004 through 2006. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$350,000 annually. For each of the three months ended March 31, 2006 and 2005, the Company recorded provisions of \$88,000 for this tax.

On July 3, 2002, the State of New Jersey passed the New Jersey Business Tax Reform Act which, among other things, requires the suspension of the use of the New Jersey net operating loss carry-forwards for two years and the introduction of a new alternative minimum amount ("NJAMA") under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. This tax was retroactive to January 1, 2002. Since amounts paid under the alternative minimum assessment have an unlimited expiration date to offset state taxable income upon suspension of the NJAMA, the Company has a tax credit recorded on the balance sheet at March 31, 2006 for the cumulative amount of the future tax credits related to payments under the NJAMA since the inception of the NJAMA.